



Deposits - Where Are They & How To Get More

by [Steve Brown](#) Topics: [funding](#), [deposits](#), [millennials](#)

Summary: Deposits at community banks are growing in rural areas faster than big banks. However, more needs to be done in metropolitan areas. We offer some guidance.

Fidelity recently reported the average 401(k) balance for Americans by age grouping as of Q1 is as follows: 20 to 29Ys old (\$11,800); 30 to 39Ys (\$42,400); 40 to 49Ys (\$102,700); 50 to 59Ys (\$174,100) and 60 to 69Ys (\$195,500). Now you can compare how you are doing and see if you need to do more or can book yourself a nice summer vacation to celebrate.

No matter what you are saving in your deposit account, it is no secret that the nation's biggest banks have been capturing more customer deposits than community banks in recent years.

[According to a study released in March by the Bank Policy Institute \(BPI\)](#), larger banks are indeed still capturing more city-based customer deposits just as they are overall new deposits.

Between 2010 and 2017, banks over \$50B in assets far outpaced smaller banks in aggregate deposit growth-86% to 42%. Big banks held a similar margin in larger metropolitan areas also.

However, banks with <\$10B in assets are gaining their fair share of deposits in rural markets.

In rural communities over the same time period, BPI discovered that deposits at community banks increased at a faster rate. Here, these banks grew 24% vs. 7% for big banks. Community banks continue to thrive in rural areas, but more work is needed to hold ground in additional metropolitan areas.

Knowing this, you may want to consider the following when planning your deposits strategy:

Rural markets are shrinking. The average number of community banks in each rural market has held firm over the past 20Ys at roughly 4. However, according to US Census data, many rural areas are decreasing in population and deposits, so community banks' coffers may not be growing in relation to large banks as much as data might indicate.

Small-to-midsize businesses like agricultural are still a strong suit. Community banking services are essential to the agricultural industry, but more than 50% of farm households have lost money in recent years (as commodity prices fluctuate wildly). Regional and community banks make 85% of all farm loans and 90% of loans secured by farmland. Make sure you talk to these customers to keep their deposits-especially as market fluctuations continue.

There are still opportunities in suburban and small-city markets. Post-financial crisis, deposit growth has been much stronger in urban areas overall (75% from 2010 to 2017). During the same time period, the average annual deposit growth in rural areas sank to just 2.8%. But, deposit growth over these years in 'mixed' or in-between areas (not urban and not rural) held at 70%. Even if your bank sees heavy large bank competition in cities, you may be able to grow into the suburbs and smaller city markets.

New products and services could draw deposits from younger customers. The broad and emerging base of younger customers can be drawn to large banks by broader offerings, particularly when it comes to digital. If you want to court this power base of younger customers and win over their deposits, try to invest more aggressively in products and services that appeal to their behaviors and sensibilities. Good luck to all!

ECONOMY & RATES

Rates As Of: 07/03/2019 09:50AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.20	0.11	-0.16
6M	2.07	-0.02	-0.41
1Y	1.91	-0.01	-0.68
2Y	1.76	0.01	-0.73
5Y	1.73	-0.03	-0.78
10Y	1.95	-0.05	-0.73
30Y	2.47	-0.06	-0.54
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.51	5.50	3.60	

[More Market Rates](#)

BANK NEWS

Short Rates

Short interest rates set by the Fed are currently 2.25% to 2.50%, making the US the highest among major economies. In comparison: Canada is at 1.75%; China 1.50%; Australia 1.25% to 1.50%; UK 0.75%; while Japan and the Euro Area are negative 0.10% and 0.40%, respectively. A Fed rate cut could be in the offing as early as July, driven by general global economic malaise and weakness in growth, a lack of inflation pressure and a worsening of trade tensions.

FASB Relief

In order to assist banks and other companies that need to modify loan documents to accommodate the shift from the London Interbank Offered Rate (LIBOR) as a benchmark interest rate to the Secured Overnight Financing Rate (SOFR), FASB has issued proposals that would eliminate onerous accounting normally required when contracts are modified. An exposure draft is due later this year that should eliminate this issue and speed the shift from LIBOR to SOFR.

Bank Trust

[An Accenture survey of consumers](#) finds: 86% trust their main bank to keep their data and 80% trust their main bank to look after their long-term financial well-being.

CECL SOLUTION - WITH YOU, EVERY STEP OF THE WAY

CECL is one of the biggest challenges for community bankers these days. Our experts are ready to guide you every step of the way through this integration with no software to maintain. Learn more about our [CECL Solution](#).

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.